



# Benefit Focus Bulletin

Office of Group Insurance, Department of Administration

October 2002

## Idaho Employees, Retirees Can Help by Choosing Generic Drugs Whenever Possible Controlling Escalating Costs of Prescription Drugs

**I**n fiscal year 2002, prescription drug claims for active employees totaled \$26,701,900 or nearly 25 percent of the State of Idaho's total FY 02 Medical claims costs of \$105,000,000.

Based on this, a 10 percent reduction in prescription drug costs would save the State's Medical Plan \$2,600,000. This reduction would have provided enough cost savings to allow for retention of the State's Medical Benefit Plan deductibles at the previous levels of \$200 (Module 1) and \$300 (Module 2).

Based on the 20% average annual growth, the costs of the State's prescription drugs claims are projected to increase from \$26,701,900 this past fiscal year to over \$30 million for FY03.

**Today's exploding** national pharmaceutical usage (1.9 billion prescriptions filled in 1993 compared to 2.5 billion in 1998 according to the FDA) can be attributed to the aging of the population, direct consumer advertising, and introduction of new, expensive pharmaceutical agents. It is anticipated that the increased use of non-institutional long-term care and the rise in pharmaceutical prices will continue to drive up overall health care costs in future years. As nationwide benefit surveys confirm, the **cost of medical**

### Pharmacy Costs Skyrocketing for States

- State governments reported increased pharmacy costs of 17 to 26 percent in 2001, **above the national average** of 18%.
- High **brand-name use** (antihistamines, antidepressants, cholesterol reducers, antiulcerants) account for 22 percent of total increase in drug spending.
- Exacerbating the problem, there are **less drug companies in business**, down from 80 companies in the 1980's to 35 companies in 2000, with fewer than a dozen expected in business by end of decade.

— National Governors Assn. Report

**coverage continues to rise** at a dramatic rate with prescription drug costs a major driver.

In today's sluggish economy, Idaho, like other states, is struggling to provide basic government services to citizens, and also adequately meet the health care needs of employees and dependents. The actual cost of group medical claims is exceeding the premiums paid.

**"Our Idaho employees and retirees can help control rising costs** by becoming better consumers of health care, and by helping to reduce the overall cost of prescription drugs to the State's health insurance plan by using generic drugs," said **Rick Thompson**, Administrator, Division of Internal

Management Systems, Dept. of Administration. He adds:

**"Choosing generic drugs when possible is a simple action that is also an effective means of controlling plan costs."**

### State of Idaho Active Employee Prescription Drugs Cost Impact—Example Leading Brand & Generic Equivalent Cost Comparison FY2001 (30-Day Supply)

Description	Brand Name	Cost Per Refill	Generic	Cost Per Refill	Total Plan Costs
Gastric Acid Reducer	Prilosec	\$135	Zantac Generic	\$20	\$940,521
Cholesterol Reducer	Zocor	\$214	Mevacor	\$60	\$204,453
Anti-inflammatory	Celebrex	\$117	Voltarin Generic	\$35	\$295,852
Antidepressant	Prozac	\$105	Prozac Generic	\$15	\$641,724



## WHAT YOU NEED TO KNOW ABOUT GENERIC DRUGS & THEIR USE

**P**rescription drugs can be a costly medical expense, especially for older people and those who are chronically ill. However, pharmacists substitute less expensive generic drugs for many brand-name products.

Depending on your prescription needs, your savings could be significant. Here are some things to know that may help you in understanding generic drugs and their use.

### Q. What's the difference between a generic and brand name drug?

Not much, except for **name and price**. A generic drug is called by its chemical name; a manufacturer assigns a brand name. **The products have the same active ingredients.**

Standard practice and most state laws require that a generic drug be *generically equivalent* to its brand-name counterpart. That is, it must have the same active ingredients, strength, and dosage form—pill, liquid, or injection. The generic drug also must be *therapeutically equivalent*—it must be the same chemically and have the same medical effect.

### Q. Do all drugs have generic equivalents?

No. Some drugs are protected by patents and are supplied by only one company. However, when the patent expires, other manufacturers can produce its generic version. **Currently, about half the drugs on the market are available in generic form.**

### Q. How can I get generic drugs?

**Talk with your doctor or pharmacist.** Explain that you want the most effective drug at the best price. Ask your doctor to write prescriptions for generic drugs when possible.

### Q. Are there exceptions to the law?

Yes. If your doctor writes on the prescription form that a specific brand-name drug is required, your pharmacist must fill the prescription as written. That is, a generic cannot be substituted. However, your pharmacist can talk with your doctor about the prescription.

### Q. Will my doctor automatically prescribe generic drugs?

It depends on the physician. You can ask your doctor to write a prescription permitting substitution of a generic drug product when appropriate. You also can ask whether a generic product will be as effective and less costly. Or, you can request that only brand name products be used to fill your prescriptions.

### Q. Where can I get more information?

Contact:  
**Office of Insurance Management  
Department of Administration  
1-800 531-0597 or 1-877 893-0894  
(208) 332-1860 or email us at:  
ogi@adm.state.id.us**



This publication presents general benefit information. In the event of any conflict between the information in this publication and the Plan provisions, the Plan documents and insurance contracts will govern.

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